

Hazardous Duty Pay: Summary, Peacekeeping Operations

Subject: Operation Joint Endeavor Tax Legislation

1. On 20 March 1996 President Clinton signed into law a bill that provides various tax benefits to certain deployed service members. The bill had passed the House on 5 March 1996 by a vote of 416-0 and it passed the Senate on 6 March 1996 by a unanimous voice vote.

A. The law extends the tax benefits available to members of the armed forces who serve in a combat zone to members of the armed forces who serve in a qualified hazardous duty area. The law considers members of the armed forces who are serving in Bosnia, Herzegovina, Croatia, or Macedonia and who are receiving hostile fire/imminent danger pay to be serving in a qualified hazardous duty area. The law, only for purposes of the provision allowing individuals extra time to file and pay taxes, also considers any individual who is performing services as part of Operation Joint Endeavor, who is serving overseas, and who is deployed away from the individual's permanent duty station, to be serving in a qualified hazardous duty area.

B. The law makes two permanent changes to the Internal Revenue Code:

(1) Section 112. It increases the amount that commissioned officers can exclude each month for service in a combat zone or in a qualified hazardous duty area from \$500.00 to the maximum enlisted amount (currently \$4,104.90 per month for the SGM of the Army) plus amounts received as imminent danger/hostile fire pay (currently \$150.00 per month)--the exclusion for enlisted service members and all warrant officers military pay remains unlimited;

(2) Section 3401(a)(1). It ensures that the amount of federal tax withheld from military pay matches taxable income. At present, withholding is inadequate for officers because officers, unlike enlisted members, can only exclude a certain amount from income;

(3) Both of these changes will apply to service members serving in the arabic peninsula combat zone, operation joint endeavor, viet nam and all future operations that are treated as combat zones.

C. The law also extends the benefits of the following Internal Revenue Code sections to service members serving in Operation Joint Endeavor (service members in the Arabic Peninsula combat zone and in Vietnam already receive these benefits):

(1) Section 2(a)(3). Which provides a special rule for determining surviving spouse status when the deceased spouse was in a missing status because of service in a combat zone or in a qualified hazardous duty area;

(2) Section 692. Which exempts from income tax the wages of service members who die while serving in a combat zone or in a qualified hazardous duty area;

(3) Section 2201. Which reduces the estate tax of service members who die while serving in a combat zone or in a qualified hazardous duty area;

(4) Section 4253(d). Which exempts toll telephone calls originating in a combat zone or in a qualified hazardous duty area from the telephone excise tax;

(5) Section 6013(f)(1). Which allows a surviving spouse to file a joint income tax return when the military spouse is in a missing status because of service in a combat zone or in a qualified hazardous duty area; and

(6) Section 7508. Which provides service members at least 180 days after leaving the combat zone or qualified hazardous duty area to file their federal tax return and to pay taxes.

D. The bill is retroactive (with the exception of the withholding section) to 21 November 1995. Service members will need a corrected W-2 to exclude amounts received in November or December of 1995 from income. DFAS hopes to send these W-2CS by 30 April 1996.

E. Service members who serve in a qualified hazardous duty area should write "Supporting Former Yugoslavia" at the top of their return. Service members deployed in support of Desert Storm should continue to write "Desert Storm" at the top of their federal tax return.